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Message Text

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TAGS: UN, UNDP, EAID

SUBJECT: LONG-TERM FUNDING FOR UNDP

1. THERE FOLLOWS THE US POSITION PAPER ON MULTIYEAR FUNDING

OF UNDP PREPARED FOR USE IN THE UN COMMITTEE OF THE WHOLE,

MEETING MAY 3-12 IN NEW YORK. DUE TO HIGH GOS INTEREST IN

THIS SUBJECT, PLEASE DISCUSS US POSITION WITH MFA AND UN

PERMREP DRAWING ON TEXT AS NEEDED. WE RECENTLY HELD INFOR-

MAL TALKS WITH THE SWEDES AND WISH TO KEEP THEM INFORMED.
2. STRENGTHENING AND INCREASING THE RESOURCES OF UNDP

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HISTORY AND ANALYSIS OF THE ISSUE

-- THE UNITED NATIONS DEVELOPMENT PROGRAM IS IN ITS SECOND

DEVELOPMENT CYCLE, A PLANNING AND BUDGET CYCLE WHICH COVERS

1977-1981. IN PLANNING THE CYCLE, THE GOVERNING COUNCIL

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OF UNDP SET AN OVERALL TARGET OF $2.5 BILLION FOR PROGRAM
EXPENDITURES, OR APPROXIMATELY $1 BILLION MORE THAN SET FOR
THE FIRST CYCLE. THE GOVERNING COUNCIL ALSO AGREED THAT TO

REACH THE $2.5 BILLION FIGURE ANNUAL INCREMENTS IN TOTAL
CONTRIBUTIONS, BEGINNING WITH THE FIRST YEAR OF THE NEW
PERIOD, WOULD HAVE TO INCREASE AT AN ANNUAL COMPOUND RATE
OF 14 PERCENT. THIS FIGURE INCLUDED AN INFLATION FACTOR
OF ABOUT 7 PERCENT.

-- UNDP'S RESOURCES ARE DERIVED FROM ANNUAL VOLUNTARY
CONTRIBUTIONS. UNDER THIS SYSTEM ANNUAL CONTRIBUTIONS MAY
FALL SHORT OF THE DESIRED 14 PERCENT TARGET. INDEED, FOR
1978 THUS FAR, CONTRIBUTIONS ARE ONLY ABOUT 12 PERCENT

ABOVE THE TOTAL FOR 1977. THE IMPACT OF PLANNED EXPENDI-
TURES OUTRUNNING RESOURCES WAS CLEARLY FELT IN 1975-1976
WHEN A LIQUIDITY CRUNCH FORCED UNDP TO CUT BACK PRECIPI-
TOUSLY ON MANY PROGRAMS. MANY OF THE POORER COUNTRY
PROGRAMS IN PARTICULAR WERE SET BACK. UNDP IS WELL ON ITS
WAY TO FULL RECOVERY, DUE IN LARGE MEASURE TO A RESUMPTION
IN 1977 AND 1978 OF EXPANDING RESOURCES. NONETHELESS, UNDP,
THE UN SPECIALIZED AGENCIES WHICH EXECUTE MOST UNDP PROJECTS,
AND ESPECIALLY THE DEVELOPING COUNTRIES HAVE NOT FORGOTTEN
THIS LESSON.

-- UNDP'S FUNDING PATTERN HAS EVOKED SEVERAL ADDITIONAL

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PROBLEMS. THE INABILITY OF UNDP TO FUND NEW PROGRAMS AS

RAPIDLY AS SOME LDCS AND SPECIALIZED AGENCIES WOULD PREFER

HAS LED TO PRESSURES FOR BUDGET GROWTH BEING EXERTED ON

THE REGULAR, ASSESSED BUDGETS OF THE SPECIALIZED AGENCIES

TO SUPPORT AN EXPANSION OF THEIR TECHNICAL ASSISTANCE

ACTIVITIES. LDCS VIEW THIS SOURCE AS REGULAR, PREDICTABLE

AND ASSURED AND PERHAPS PREFERABLE TO THE VAGARIES OF ANNUAL

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PLEDGES TO UNDP BY MAJOR DONORS. THE UNITED STATES, FOR

EXAMPLE, IN 1969 AND 1974 CONTRIBUTED LESS THAN IN THE

RESPECTIVE PRECEDING YEAR. .

-- A SECOND CONSEQUENCE, BOTH OF THE SYSTEM AND OF

NATIONS' CHANGING ROLES IN FINANCING UNDP, IS THAT THE

RELATIVE SHARE OF CONTRIBUTIONS HAS SHIFTED OVER TIME.

THE UNITED STATES, FOR EXAMPLE, CONTRIBUTED A HIGH OF 37.8

PERCENT OF RESOURCES IN 1966 BUT THIS HAS DROPPED TO 20

PERCENT OR SLIGHTLY LESS IN 1978. A FEW OTHER DONORS HAVE

INCREASED THEIR RELATIVE SHARE, IN PARTICULAR THE SWEDES

AND OTHER SCANDINAVIANS, AND THIS HAS LED TO CALLS FOR

GREATER BURDENSHARING BY THOSE BETTER ABLE TO PAY. THIS

CRITICISM IS AIMED IN PART AT THE UNITED STATES, BUT ALSO

AT THE OPEC COUNTRIES AND JAPAN.

--- THE LDCS AND TO SOME EXTENT THE DEVELOPED COUNTRIES

THEREFORE ARE SEEKING SOME FORM OF LONG-TERM FUNDING

COMMITMENTS FROM THE MAJOR DONORS. THIS DRIVE IS NOT NEW:

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IT WAS SEEN IN THE MID-1976 UNDP GOVERNING COUNCIL. AT AN
APRIL 14,1978 INFORMAL MEETING OF GOVERNING COUNCIL
MEMBERS IN NEW YORK THE SWEDES CALLED UPON THE ADMINISTRA-
TOR TO CONDUCT A STUDY FOR SUBMISSION TO THE JUNE 1978
GOVERNING COUNCIL OF POSSIBLE MECHANISMS, SUCH AS IN IDA,
WHICH WOULD PRESERVE THE VOLUNTARY NATURE OF CONTRIBUTIONS
WHILE PROVIDING UNDP WITH A MORE RATIONAL FINANCIAL BASIS.
THE UNITED STATES BELIEVES MULTI-YEAR FUNDING IS DESIRABLE,
WITHIN THE OVERALL CONSTRAINT IMPOSED BY OUR SYSTEM OF
ANNUAL CONGRESSIONAL BUDGET AUTHORIZATIONS AND APPROPRIA-
TIONS.

DEVELOPMENTS AT CIEC

--- NOT APPLICABLE.

PAST AND CURRENT NEGOTIATIONS

-- THE UNITED STATES STRONGLY ENDORSES VOLUNTARY CONTRI-
BUTIONS TO THE UNDP FOR UN TECHNICAL ASSISTANCE PROGRAMS,
GENERALLY IN PREFERENCE TO THE ASSESSED BUDGET SOURCE OF
FUNDING. WE AGREE THAT A CAREFULLY WORKED OUT SYSTEM

OF MULTI-YEAR FUNDING WHICH PRESERVES THE VOLUNTARY NATURE
OF UNDP SUPPORT IS POSSIBLE AND DESIRABLE. WE ARE
PREPARED TO EXAMINE ALTERNATIVE MECHANISMS, PERHAPS

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SIMILAR TO THAT USED IN IDA, BY WHICH GOVERNMENTS CAN

MAKE LONG-TERM INDICATIONS OF FINANCIAL SUPPORT.

-- OTHER DEVELOPED COUNTRY POSITIONS

THE SWEDES, AND THE NORDICS GENERALLY, ARE SEEKING TO

EXPLORE THIS ISSUE IN THE OVERVIEW COMMITTEE. THEY HOPE

TO MAKE UNDP FUNDING MORE SECURE. THEY ALSO VIEW THEIR

CONTRIBUTION TO UNDP AS DISPROPORTIONATELY LARGE AND

HAVE EXPRESSED A DESIRE TO REDUCE THE GROWTH RATE IN

THEIR FUNDING, WHILE OTHERS MORE ABLE TO PAY (INCLUDING

THE U.S., JAPAN AND OPEC NATIONS) DO MORE. THE SWEDES

HAVE MADE THESE POINTS BILATERALLY IN WASHINGTON AND

IN THE GOVERNING COUNCIL INFORMAL MEETING IN NEW YORK.

THE GERMANS HAVE INCREASED THEIR 1978 CONTRIBUTION 25

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PERCENT OVER 1977, BUT IN NEW YORK ARGUED THAT WITH

THEIR PARLIAMENTARY BUDGET SYSTEM THEY WILL HAVE

DIFFICULTY AGREEING TO LONG-TERM PLEDGES. THE FRENCH

AND THE SOVIETS IN NEW YORK WERE VERY CAUTIOUS TOWARD

CHANGING THE PRESENT SYSTEM WHILE JAPAN AND ITALY JOINED

THE U.S. IN THEIR WILLINGNESS TO EXPLORE POSSIBLE

MECHANISMS.

-- LDC POSITIONS

MOST LDCS EXPECT THE MAJOR DONORS TO INCREASE THEIR

CONTRIBUTIONS TO UNDP AND LOOK FOR ASSURED AND PREDICTABLE

GROWTH. IF THEIR GOAL IS NOT MET THEY MAY INCREASE

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PRESSURE ON THE REGULAR BUDGETS OF THE SPECIALIZED

AGENCIES FOR FUNDING OF UN TECHNICAL ASSISTANCE.

PROPOSED FUTURE US APPROACHES: DIRECTIONS AND PRIORITIES

WE ARE ALREADY EXPLORING THE FEASIBILITY OF LONG-TERM

FUNDING COMMITMENTS/INDICATIONS WITH OTHER MAJOR DONORS

IN THE CONTEXT OF THE GENEVA GROUP (MAY 2-3, 1978) AND

WILL EXPLORE IT FURTHER WITHIN THE UNDP GOVERNING COUNCIL.

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IF OUR EXPERIENCE WARRANTS, WE MAY EXTEND THIS TO OTHER

UN AGENCIES. HOWEVER, WE CAN BE ONLY MODERATELY FORTH-

COMING. THE WEEK OF MAY 3 THE CONGRESS BEGINS THE

MARKUP OF OUR FY-1977 REQUEST OF $133 MILLION FOR UNDP.

TO SIGNAL TOO STRONGLY OUR POSITION FAVORING LONG-TERM

SUPPORT COULD BE EMBARRASSING IF THE BUDGET REQUEST

WERE CUT.

KEY TALKING POINTS

-- --THE UNITED STATES BELIEVES SOME MECHANISM TO

PROVIDE UNDP WITH A BETTER BASIS ON WHICH TO PROJECT

INCOME AND EXPENDITURES IS DESIRABLE AND MAY BE TECHNICALLY

FEASIBLE. WE ARE INTERESTED IN MULTIYEAR FINANCING IN

PRINCIPLE AND ARE DISCUSSING THE CONCEPT WITH OTHER

DONORS. WE SHALL PARTICIPATE FULLY IN FUTURE UNDP

GOVERNING COUNCIL EXAMINATIONS OF VARIOUS MECHANISMS.

-- --IF THE PRINCIPLE APPEARS WORKABLE IN UNDP, THE

UNITED STATES MAY ALSO CONSIDER ITS BROADER APPLICATION

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WITHIN THE UN SYSTEM.

SUMMARY LANGUAGE
- -
-- THE U.S. COULD ACCEPT LANGUAGE CALLING ON THE

SECRETARY GENERAL OR ON UNDP TO EXAMINE VARIOUS MECHANISMS

FOR MULTI-YEAR FUNDING OF UNDP. VANCE

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